

WATERLOO TOWNSHIP  
JACKSON COUNTY - MICHIGAN  
FINANCIAL STATEMENTS  
Year Ended June 30, 2008

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# **Dove & Hickey, P.L.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**MEMBERS:**

**AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF  
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ALLISON I. COLE, C.P.A.**

## **INDEPENDENT AUDITOR'S REPORT**

Township Board  
Waterloo Township  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund information of Waterloo Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Waterloo Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund information of Waterloo Township as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Waterloo Township has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.

# **Dove & Hickey, P.L.C.**

December 23, 2008

WATERLOO TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
Year Ended June 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$276,953
Receivables	3,000
Due from other governments	69,492
Prepaid expenses	11,041
Capital assets - net	<u>80,329</u>
Total assets	<u>440,815</u>
<u>LIABILITIES</u>	
Accounts payable	11,847
Accrued liabilities	<u>6,496</u>
Total liabilities	<u>18,343</u>
<u>NET ASSETS</u>	
Invested in capital assets	80,329
Unrestricted	<u>342,143</u>
Total net assets	<u>\$422,472</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

		<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES:					
General government	\$170,453	\$ 88,989	\$ -0-	\$ -0-	(\$ 81,464)
Public Safety	237,890	42,570	1,961	-0-	(193,359)
Community and economic development	5,526	1,400	-0-	-0-	(4,126)
Public works	<u>23,250</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(23,250)</u>
Total governmental activities	<u>\$437,119</u>	<u>\$132,959</u>	<u>\$ 1,961</u>	<u>\$ -0-</u>	<u>(302,199)</u>
GENERAL REVENUES:					
Property taxes					143,448
State-shared revenues					210,692
Gain on sale of assets					300
Investment earnings					<u>6,603</u>
Total general revenues					<u>361,043</u>
CHANGES IN NET ASSETS					58,844
NET ASSETS - BEGINNING OF YEAR					<u>363,628</u>
NET ASSETS - END OF YEAR					<u>\$422,472</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
GOVERNMENTAL FUNDS -  
BALANCE SHEET  
June 30, 2008

	<u>GENERAL FUND</u>	<u>PUBLIC SAFETY FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and investments	\$276,953	\$ -0-	\$276,953
Receivables	3,000	-0-	3,000
Due from other governments	69,492	-0-	69,492
Prepaid expenses	<u>11,041</u>	<u>-0-</u>	<u>11,041</u>
Total assets	<u>\$360,486</u>	<u>\$ -0-</u>	<u>\$360,486</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 11,847	\$ -0-	\$ 11,847
Accrued liabilities	<u>6,496</u>	<u>-0-</u>	<u>6,496</u>
Total liabilities	<u>18,343</u>	<u>-0-</u>	<u>18,343</u>
Fund Balances:			
Unreserved/undesignated	<u>342,143</u>	<u>-0-</u>	<u>342,143</u>
Total fund balances	<u>342,143</u>	<u>-0-</u>	<u>342,143</u>
Total liabilities and fund balances	<u>\$360,486</u>	<u>\$ -0-</u>	<u>\$360,486</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
June 30, 2008

Fund balances - total Governmental funds	\$342,143
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	<u>80,329</u>
Net assets of governmental activities	<u>\$422,472</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	<u>GENERAL FUND</u>	<u>PUBLIC SAFETY FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:			
Property taxes	\$131,598	\$ 47,034	\$178,632
Licenses and permits	30,998	-0-	30,998
State sources	210,692	-0-	210,692
Local sources	-0-	1,861	1861
Charges for services	14,528	36,731	51,259
Fines and forfeitures	-0-	12,971	12,971
Interest	6,603	-0-	6,603
Contributions	-0-	100	100
Other	<u>2,547</u>	<u>300</u>	<u>2,847</u>
Total revenues	<u>396,966</u>	<u>98,997</u>	<u>495,963</u>
EXPENDITURES:			
Current:			
General government	136,963	-0-	136,963
Public Safety	135,648	98,997	234,645
Community and economic development	5,526	-0-	5,526
Public works	23,251	-0-	23,251
Other	<u>25,036</u>	<u>-0-</u>	<u>25,036</u>
Total expenditures	<u>326,424</u>	<u>98,997</u>	<u>425,421</u>
EXCESS OF REVENUES OVER EXPENDITURES	70,542	-0-	70,542
FUND BALANCE - BEGINNING OF YEAR	<u>271,601</u>	<u>-0-</u>	<u>271,601</u>
FUND BALANCE - END OF YEAR	<u>\$342,143</u>	<u>\$ -0-</u>	<u>\$342,143</u>

See accompanying notes to financial statements.



WATERLOO TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 70,542
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Amount reported for governmental activities in the statement  
of activities are different because:

Depreciation on capital assets reported as part of governmental activities.	<u>(11,698)</u>
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Changes in net assets of governmental activities	\$ <u>58,844</u>
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See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
FIDUCIARY FUND -  
STATEMENT OF ASSETS AND LIABILITIES  
June 30, 2008

ASSETS

Cash and investments	\$ <u>28,604</u>
Total assets	<u>28,604</u>

LIABILITIES AND  
FUND BALANCE

Liabilities:	
Performance bond	\$ <u>28,604</u>
Total liabilities	<u>28,604</u>
Fund Balance	<u>-0-</u>
Total liabilities and fund balance	\$ <u>28,604</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Waterloo Township (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Waterloo Township.

Reporting Entity

Waterloo Township is governed by an elected five-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from property taxes and State-shared revenue.

Public Safety Fund - The Public Safety Fund accounts for the use of property taxes received under a specially voted millage.

Additionally, the Township reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the Township in an agency capacity.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2007 tax is levied and collectible on December 1, 2007, and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled approximately \$109,347,000 on which ad valorem taxes levied consisted of .8464 mills for operating purposes and .4261 for police services. This resulted in \$93,685 for operating and \$46,665 for police services. These amounts are recognized in the General Fund and Public Safety Fund, respectively.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables - Receivables in governmental activities are all primarily due from other governments. No allowance for doubtful accounts is provided for.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furnishings, vehicles, and equipment	5 to 15 years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than June 30. The Township Board must approve any budget amendments.

The appropriated budget is prepared by fund, activity, and line items. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at June 30, 2007	(\$ 31,470)
Current year building permit revenue	29,598
Related expenses:	
Direct costs	<u>(32,405)</u>
Cumulative shortfall at June 30, 2008	(\$ <u>34,277</u> )

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

3. DEPOSITS AND INVESTMENTS (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the government's deposits is \$281,729, of which \$181,170 is covered by Federal depository insurance. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

4. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2008</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>3,153</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,153</u>
Capital assets being depreciated:				
Buildings and improvements	120,838	-0-	-0-	120,838
Furnishings, vehicles, and equipment	<u>117,533</u>	<u>-0-</u>	<u>-0-</u>	<u>117,533</u>
Total capital assets being depreciated	<u>238,371</u>	<u>-0-</u>	<u>-0-</u>	<u>238,371</u>
Less: accumulated depreciation:				
Buildings and improvements	75,945	2,761	-0-	78,706
Furnishings, vehicles, and equipment	<u>73,552</u>	<u>8,937</u>	<u>-0-</u>	<u>82,489</u>
Total accumulated depreciation	<u>149,497</u>	<u>11,698</u>	<u>-0-</u>	<u>161,195</u>
Total capital assets being depreciated - net	<u>88,874</u>	<u>(11,698)</u>	<u>-0-</u>	<u>77,176</u>
Total capital assets - net	\$ <u>92,027</u>	(\$ <u>11,698</u> )	\$ <u>-0-</u>	\$ <u>80,329</u>



WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 8,453
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Public Safety	<u>3,245</u>
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Total governmental activities	<u>\$ 11,698</u>
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5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

## REQUIRED SUPPLEMENTAL INFORMATION

WATERLOO TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Property taxes	\$113,200	\$113,200	\$131,598	\$ 18,398
Licenses and permits	38,500	38,500	30,998	(7,502)
State sources	200,000	200,000	210,692	10,692
Charges for services	-0-	-0-	14,528	14,528
Interest	1,000	1,000	6,603	5,603
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>2,547</u>	<u>(1,453)</u>
Total revenues	<u>356,700</u>	<u>356,700</u>	<u>396,966</u>	<u>40,266</u>
EXPENDITURES:				
Current:				
General Government:				
Township Board	23,400	26,733	20,493	6,240
Supervisor	13,370	14,242	14,170	72
Elections	4,700	3,000	2,527	473
Assessor	25,800	26,291	26,290	1
Clerk	20,690	20,455	20,416	39
Attorney	6,000	6,807	6,806	1
Board of Review	1,800	2,809	2,553	256
Board of Appeals	1,850	1,163	1,072	91
Treasurer	21,665	21,665	21,664	1
Township hall	31,566	21,981	16,352	5,629
Cemetery	<u>5,000</u>	<u>4,620</u>	<u>4,620</u>	<u>-0-</u>
Total general government	<u>155,841</u>	<u>149,766</u>	<u>136,963</u>	<u>12,803</u>
Public Safety:				
Police	106,094	110,493	104,709	5,784
Building Inspections	<u>30,665</u>	<u>32,465</u>	<u>30,939</u>	<u>1,526</u>
Total public safety	<u>136,759</u>	<u>142,958</u>	<u>135,648</u>	<u>7,310</u>
Community and economic Development:				
Planning	5,600	3,350	2,717	633
Land splits	1,000	500	260	240
Zoning	<u>3,300</u>	<u>3,078</u>	<u>2,549</u>	<u>529</u>
Total community and economic development	<u>9,900</u>	<u>6,928</u>	<u>5,526</u>	<u>1,402</u>
Public Works:				
Highways, streets and bridges	10,000	18,660	18,560	100
Extraction	1,000	808	358	450
Street lights	<u>5,200</u>	<u>5,200</u>	<u>4,333</u>	<u>867</u>
Total public works	<u>16,200</u>	<u>24,668</u>	<u>23,251</u>	<u>1,417</u>
Other:				
Insurance	30,000	24,380	18,655	5,725
Social Security	<u>8,000</u>	<u>8,000</u>	<u>6,381</u>	<u>1,619</u>
Total other	<u>38,000</u>	<u>32,380</u>	<u>25,036</u>	<u>7,344</u>
Total expenditures	<u>356,700</u>	<u>356,700</u>	<u>326,424</u>	<u>30,276</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	70,542	70,542
FUND BALANCE - BEGINNING OF YEAR	<u>271,601</u>	<u>271,601</u>	<u>271,601</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$271,601</u>	<u>\$271,601</u>	<u>\$342,143</u>	<u>\$ 70,542</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE -  
PUBLIC SAFETY FUND  
Year Ended June 30, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Property taxes	\$ 42,500	\$ 42,500	\$ 47,034	\$ 4,534
Local sources	1,200	1,200	1,861	661
Charges for services	49,300	49,300	36,731	(12,569)
Fines and forfeitures	6,000	6,000	12,971	6,971
Contributions	-0-	-0-	100	100
Other	<u>-0-</u>	<u>-0-</u>	<u>300</u>	<u>300</u>
Total revenues	<u>99,000</u>	<u>99,000</u>	<u>98,997</u>	<u>(3)</u>
EXPENDITURES:				
Current:				
Public Safety:				
Police	<u>99,000</u>	<u>99,000</u>	<u>98,997</u>	<u>3</u>
Total expenditures	<u>99,000</u>	<u>99,000</u>	<u>98,997</u>	<u>3</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-
FUND BALANCE - BEGINNING OF YEAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

# **Dove & Hickey, P.L.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**MEMBERS:**

**AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF  
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**GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSLER, C.P.A.  
ALLISON I. COLE, C.P.A.**

December 23, 2008

Township Board  
Waterloo Township  
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Waterloo Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Waterloo Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Financial Statement Report Adjustments:

During the audit we generally provide assistance in identifying and calculating certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB 34. We also assist in gathering information required for financial statements reclassifications and footnote disclosures. We are pleased to assist in this process, as we have expertise in these adjustments and reporting issues, and can generally assist in a very cost-efficient manner. We bring this to your attention since it meets the above definition of a matter to be communicated.

We also noted other accounting matters that we would like to communicate to you.

Cash Reconciliations:

As commented last year, even though the Treasurer is preparing timely bank reconciliations, she is not, on a timely basis, meeting with the Clerk, and reconciling the general ledger balances. We suggest that the Treasurer and Clerk reconcile the cash balances at least monthly, so that financial reports are more accurate.

Documentation of Receipts:

While performing the audit, we noted that the administrative assistant was not retaining the check stubs from the receipts. This original documentation should be retained so that the Treasurer can review the receipts to determine if they were receipted correctly.

This communication is intended solely for the information and use of management, Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectively yours,

**Dove & Hickey, P.L.C.**